Core Equity Fund

4Q 2018 Commentary

Markets Review

U.S. equity markets suffered their worst quarter in over seven years and worst year since 2008 as concerns over the pace of interest rate increases, continuing trade tensions and slowing global growth weighed heavily on investor sentiment and tested the strength of the nearly ten-year-old U.S. bull market. In the final weeks of the quarter, a partial shutdown of the U.S. government over the funding of a Mexico-U.S. border wall, and concerns surrounding the Federal Reserve's (Fed) independence following comments from President Trump, intensified the selloff. A post-Christmas bounce, however, erased some of the losses. Overall, the S&P 500 Index fell 13.52% during the fourth quarter. Despite the market's selloff, U.S. economic and corporate data released during the quarter, while moderating, were still generally strong.

The economy grew at a 3.4% annual rate in the third quarter, exceeding expectations and pushing 12-month corporate profit growth to 10.4%, a six-year high. With unemployment near 50-year lows, consumer spending remained strong, increasing at a 3.5% annualized rate. Inventories also provided a substantial boost. Strong consumer sentiment carried over into the fourth quarter as shoppers spent an unprecedented amount during the holiday season. Black Friday and Cyber Monday pulled in record online sales of $6.2 billion and $7.9 billion, respectively, increases of 23.6% and 19.3% from a year ago, according to Adobe Analytics. Meanwhile, according to early data from Mastercard SpendingPulse, which tracks retail spending both online and in-store, holiday sales from November 1 to December 24 saw the strongest growth in the past six years, increasing 5.1% to more than $850 billion.

Citing a strengthening labor market and rising economic activity, while noting a slowdown in business investment, the Fed raised interest rates in December, its fourth hike of the year. The benchmark federal funds rate now stands at between 2.25% and 2.50%, the highest it has been since 2008. Along with its statement, the Fed released a new set of interest rate projections that forecasts two rate hikes in 2019. The Fed also said that it would continue its efforts to taper its balance sheet, which still sits at $4 trillion. Despite higher rates, anxious investors sought shelter from equity volatility and pushed Treasury yields lower. The yield on the benchmark 2-year note closed at 2.50%, with the 10-year note at 2.70%. The gap between 2-year and 10-year Treasuries reached its narrowest level since 2007.

All of the major Russell U.S. equity indices ended the quarter and year in negative territory, with large cap companies outperforming on a relative basis, followed by mid caps, with small caps trailing. In terms of style, the fourth quarter marked the first time in two years that investors showed a preference for value stocks. (The Russell 1000 Value Index fell 11.72%, while the Russell 1000 Growth Index dropped 15.89%.) Through September, the Russell 1000 Growth Index had advanced 17.09%, outperforming the Russell 1000 Value Index by 13.17%, with shares of technology stocks, such as Facebook, Apple, Amazon, Netflix and Google (FAANG), leading the near-historic outperformance. A tech-driven retreat in October sent the FAANG group lower. Overall, the Russell 1000 Growth Index still outperformed its Value counterpart for the year (by 6.76%). From a sector perspective, within the Russell 1000 Value Index, defensive sectors such as Utilities, Consumer Staples and Real Estate held up best during the quarter. Conversely, more economically sensitive sectors, such as Energy, Industrials and Materials, were the worst performers.

Major commodities were mixed. West Texas Intermediate (WTI) crude futures fell approximately 20% in November alone amid concerns over excess supply and lower demand due to a slowing global economy. Toward the end of the quarter, futures dropped to their lowest levels in nearly 18 months, settling around $45 a barrel, after reaching a high of nearly $77 in October. Precious metals gained as a risk-off sentiment permeated the markets. Gold closed the year at approximately $1,280 an ounce, near a six-month high, up 7.2% for the quarter but down roughly 2.0% in 2018. Meanwhile, higher U.S. interest rates and trade tensions boosted the U.S. Dollar Index (DXY), although the Index moved lower after the Fed indicated a more cautious path to further hikes. For the year, the greenback gained 4.4%, its best advance since 2015.

Annual Markets Review

After a strong 2017, the long bull market continued its historic run in January, as the S&P 500 Index had its best month since March 2016. However, volatility, which was notably absent during the U.S. market's 2017 rally, began to build in February, causing equity markets to suffer their first quarterly loss in over two years. The CBOE Volatility Index (VIX), often referred to as the "fear index," nearly doubled during the first quarter after stronger-than-expected wage growth ignited fears that rising inflation would force the Fed to raise interest rates faster than previously anticipated. After equity markets regained their poise, they retested quarterly lows on news that President Trump would pursue tariffs on foreign steel and aluminum. Markets shrugged off escalating trade tensions during the second quarter on momentum set by earnings and U.S. economic data and continued their rally in the third quarter, with Gross Domestic Product (GDP) data released over the summer showing the U.S. economy accelerated 4.2% on an annualized basis during the second quarter, its fastest pace in nearly four years. The bull market began showing cracks late in 2018. A number of macroeconomic headwinds sent the S&P 500 Index into a correction and, briefly, into bear market territory, down 20% from its September 21st high to its December 24th low. The VIX finished the year with its biggest increase on record, up over 130%.

Performance Review

For the fourth quarter of 2018, Aristotle Core Equity Fund (ARSLX) posted a total return of -16.23% at NAV, underperforming the S&P 500 Index, which recorded a total return of -13.52%.

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Investment return and principal value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current performance information to the most recent month-end, please call (844) 274-7868.

Security selection accounted for the entirety of the Fund's underperformance relative to the S&P 500 Index for the quarter. Security selection in Health Care and Information Technology detracted the most from relative performance. Within each of these sectors, Bio-Techne and NVIDIA were the main detractors, respectively. Security selection in Industrials and Financials added to relative performance. Within these sectors, Roper Technologies and Intercontinental Exchange added the most to relative return, respectively.

Top Five Contributors*	Bottom Five Detractors*
Roper Technologies	Bio-Techne
Intercontinental Exchange	NVIDIA
American Water Works	Zayo Group
DowDuPont	Costco
Phillips 66	Amazon

**Securities listed had the best or worst relative performance within the best- or worst-performing sectors relative to the benchmark. Past performance is not indicative of future results. Please see important disclosures at the end of this document.*

Top Contributors

Roper Technologies, Inc.

Roper is a diversified industrial company that designs and develops software and engineered products and solutions for a variety of niche-end markets. Roper's shares advanced after reporting record third quarter results in October, including GAAP and adjusted revenue increases of 14% and 13%, respectively. Roper also raised its full year 2018 guidance and announced separately that it was increasing its dividend 12%. Additionally, in December, Roper agreed to sell its Scientific Imaging businesses for $225 million in cash.

Intercontinental Exchange, Inc.

Intercontinental Exchange (ICE), the Atlanta-based owner of several futures, options and OTC exchanges and marketplaces, was also a relative contributor. In October, the company released financial results for the third quarter that showed revenue grew 5% year over year to $1.2 billion, marking 22 consecutive quarters of year-over-year revenue growth. Meanwhile, ICE continued its ambitious share repurchase program and, when combined with dividends, returned nearly $1.5 billion to stockholders in the first nine months of 2018.

American Water Works Company, Inc.

The Utilities sector was the beneficiary of market turbulence. Within that sector, the main contributor to relative return in our portfolio was American Water. Also providing support was the company's earnings release, which showed an uptick in growth. Third quarter 2018 adjusted diluted earnings per share increased 11.1% compared to last year. Meanwhile, year over year, total revenues grew 4.3%. Advances in its Regulated and Market-Based businesses supported the increase.

Bottom Detractors

Bio-Techne Corporation

Bio-Techne develops, manufactures and sells biotechnology products and clinical diagnostic controls. In concert with other biotech stocks in October and the broader market in December, Bio-Techne's shares fell considerably. Despite share weakness, the company released strong first quarter fiscal 2019 results in October, delivering 10% organic revenue growth overall led by its Protein Sciences segment with 14% organic growth. In addition, organic growth was very broad by geographic region, with the North America, Europe and China regions all experiencing solid double-digit gains.

NVIDIA Corporation

NVIDIA, a leader in chips for computer graphics, was one of several chipmakers whose stock price tumbled during the quarter. In addition to posting sales that missed expectations for the third quarter, NVIDIA provided a fourth quarter outlook that was below expectations, hurt by weakness in its gaming division, unsold inventory at distributors and retailers, and the loss of demand from a slowdown in cryptocurrency mining.

Zayo Group Holdings, Inc.

Zayo, a global provider of communications infrastructure services, including fiber and bandwidth connectivity, again posted disappointing financial results, with both the top line and bottom line missing estimates. For more information, see "Sells" below.

Recent Fund Activity

<u>Buys</u>

Alexandria Real Estate Equities, Inc.

We initiated a position in Alexandria following a positive investor day. Alexandria owns, operates and develops collaborative life science and technology campuses located in what the company considers the "world's best clusters" to complement the leading academic institutions, scientific and managerial talent, and sophisticated investment capital that already exist in close proximity. Current clusters are located in Greater Boston, San Francisco, New York City, San Diego, Seattle, Maryland and Research Triangle Park (North Carolina). At the investor day, the company presented a case for a doubling of revenue by the year 2022 driven by both internal and external growth.

The internal growth is driven by Alexandria's high levels of occupancy, with what we view as favorable embedded rental-rate growth driven by both escalation clauses in current leases and markups of expiring rents to market levels. These positive re-leasing spreads are expected to continue into future years. The external growth, we believe, will be driven by the deliveries of development projects, 14 of which are projected to be delivered in 2019, with an additional 9 projected in 2020. Alexandria expects to build out the development pipeline without the need for additional equity issuance. The company has achieved favorable cap rates on disposals of properties, which is a source of funding for higher-yielding development projects.

Microchip Technology, Inc.

We decided to reinvest in Microchip, a manufacturer of microcontroller, mixed-signal, analog and Flash-IP integrated circuits, after exiting earlier in 2018. Irregularities in the books of recent acquisition Microsemi required Microchip to drastically realign inventory at a time when the automotive and industrial end markets appeared to be peaking, and when trade war-related component shortages caused distributors to increase inventory levels. We now believe a lot of the discounts to estimates have happened, and while there is still some room for first quarter 2019 sell-side consensus estimates to come down, the stock seems to already reflect that expectation. As such, we believe we will get indication of improving inventory channels in early 2019 when semiconductor companies participate in industry conferences and discuss their outlooks. If things do begin to normalize, Microchip could be among the companies that recover quickly, and we are positioning for that outcome.

Adobe Systems, Inc.

We see upside potential in the California-based software company, as it benefits from secular spend in digital content creation and digital transformation, which can help Adobe monetize its large and growing user base. Other secular themes that we believe the company is well positioned to leverage include digital marketing, mobility and growth in video. The company also provides us with an opportunity to own an asset that has a cloud-like revenue mix (i.e., high percentage of recurring revenues), combined with legacy software margins that have the potential to expand.

Sells

TE Connectivity Ltd.

We exited our position in TE, a Swiss manufacturer of connectivity and sensor products for harsh environments. While TE recently took some positive steps to rationalize its offerings by selling its subsea communications business, allowing the company to focus on its core automotive and industrial segments, we believe its organic growth is likely to face headwinds from trade-related global issues and general weakness in the auto end markets. In the most recent earnings call, management stated that year-over-year total orders declined 6% and 4% since the last quarter, reflecting a slower growth environment, leading management to guide 2019 organic growth expectations down from the mid- to low-single digits. While we believe TE is executing well given the circumstances, we feel that the stock is unlikely to see any multiple expansion until organic growth gets up to the mid- to high-single digits.

Resideo Technologies, Inc. and Garrett Motion Inc.

After receiving small allocations of Resideo and Garrett Motion as spinoffs from Honeywell in October, we sold these positions.

Digital Realty Trust, Inc.

We sold Digital Realty to fund our purchase of Alexandria. Digital Realty's near-term internal growth opportunities, we believe, are less favorable than Alexandria's due to Digital Realty's acquisition of DuPont Fabros Technology in late 2017. DuPont has some large legacy leases that were signed when fundamentals for data centers were stronger than they are currently. Although well telegraphed by the company and seemingly a known issue for the company, we are concerned that the negative mark to market on these leases, when they expire, will be a negative for the stock.

Conagra Brands, Inc.

Ahead of its fiscal second quarter earnings announcement, we sold Conagra on concerns about the potential for an earnings reset. Our trepidation arose from deteriorating trends in the legacy Pinnacle Foods business and our view that Conagra would have to invest more than anticipated into advertising and promotion to get those brands back on a positive trajectory. Management compensation is tied to the legacy Conagra "core" results, so this could heighten the risk of an earnings rebasing on the legacy Pinnacle brands. Furthermore, we have less confidence than we had in the past about its ability to extract synergies above the $215 million guided target.

Zayo Group Holdings, Inc.

We exited our position in Zayo. After a series of underperforming quarters, we lost confidence in management's ability to generate value for shareholders. The company has publicly stated that it wants to split into two divisions, making it easier to make one part into a REIT and possibly sell the second. We believe the path to generating a return on the stock from such actions still has several hurdles, and we do not have any view on the timing. As such, we reallocated capital to initiate positions in Adobe and Microchip, which we believe have more visible and sustainable drivers to their businesses, along with what we view as high-quality management.

Electronic Arts Inc.

We sold our position in the video game company to make room for a more optimal investment.

Outlook

While 2018 was a period of transition and uncertainty, we believe the first half of 2019 will provide some clarity. In our view, equities should post positive results above the current expected earnings growth of 8%. This is based on several negative issues being resolved, the most critical of which will be the Fed moving to neutral from the current tightening cycle. This could include, at a minimum, a statement about pausing rate increases and balance sheet reduction, potentially resulting in a recovery in the price/earnings ratio that was dramatically compressed in the fourth quarter. Although it is hard to predict, we also believe we will have a resolution to the trade tariffs with China. Together, these should support trend-like economic growth. Perhaps our biggest concern is that the fading impact of the tax stimulus—now one year old—could offset these two positive factors.

Aristotle Core Equity Fund (Class I)

Performance Update December 31, 2018

Total Return	4Q18	1 Year	Since Inception (3/31/17)	Gross/Net Expense Ratio
ARSLX Class I	-16.23%	-5.66%	4.57%	5.85%/0.65%
S&P 500 Index	-13.52%	-4.38%	5.49%	N/A

Performance data quoted here represents past performance. Past performance is no guarantee of future results. Returns over one year are annualized. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current performance information to the most recent month-end, please call (844) 274-7868.

The Fund's Advisor has contractually agreed to waive certain fees and/or absorb expenses through April 30, 2019 to the extent that the total annual operating expenses do not exceed 0.65% of the Fund's average daily net assets. Th e Fund's Advisor may seek reimbursement from the Fund for waived fees and/or expenses paid for three years from the date of the waiver or payment. A redemption fee of 1.00% will be imposed on redemptions of shares within 30 days.

Important Information:

There can be no guarantee that any strategy (risk management or otherwise) will be successful. All investing involves risk, including potential loss of principal.

The views in this letter were as of the date stated and may not necessarily reflect the same views on the date this letter is first published or any time thereafter. These views are intended to help shareholders in understanding the Fund's investment methodology and do not constitute investment advice.

Past performance is not indicative of future results. You should not assume that any of the securities transactions, sectors or holdings discussed in this report are or will be profitable, or that recommendations Aristotle Atlantic makes in the future will be profitable or equal the performance of the securities listed in this report. There is no assurance that any securities, sectors or industries discussed herein will be included in or excluded from the Fund. The opinions expressed are as of the date of publication and are subject to change due to changes in the market or economic conditions and may not necessarily come to pass. Aristotle Atlantic reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. This is not a recommendation to buy or sell a particular security. Holdings since the Fund's inception date are available upon request.

An investment in the Fund is subject to risks, and you could lose money on your investment in the Fund. The principal risks of investing in the Fund include, but are not limited to, investing in market risk, equity risk, preferred stock risk, warrants and rights risk, REITs risk, small-cap, mid-cap and large-cap company risk, foreign investment risk and sector focus risk.

The market price of a security or instrument may decline, sometimes rapidly or unpredictably, due to general market conditions that are not specifically related to a particular company. The value of the equity securities held by the Fund may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by the Fund participate, or factors relating to specific companies in which the Fund invests. The market value of preferred stock is subject to company-specific and market risks applicable generally to equity securities and is also sensitive to changes in the company's creditworthiness, the ability of the company to make payments on the preferred stock, and changes in interest rates, typically declining in value if interest rates rise. Warrants and rights may lack a liquid secondary market for resale. The prices of warrants and rights may fluctuate as a result of speculation or other factors. The Fund's investment in REITs will subject the Fund to risks similar to those associated with direct ownership of real estate, including losses from casualty or condemnation, and changes in local and general economic, supply and demand, interest rates, zoning laws, regulatory limitations on rents, property taxes and operating expenses. The securities of small-capitalization and mid-capitalization companies may be subject to more abrupt or erratic market movements and may have lower trading volumes or more erratic trading than securities of larger, more established companies or market averages in general. Larger, more established companies may be unable to attain the high growth rates of successful, smaller companies during periods of economic expansion. The prices of foreign securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments, and changes in the regulatory environments of foreign countries. The Fund may invest a larger portion of its assets in one or more sectors than many other mutual funds, and thus will be more susceptible to negative events affecting those sectors.

Definitions:

- The S&P 500® Index is the Standard & Poor's Composite Index of 500 stocks and is a widely recognized, unmanaged index of common stock prices. This index has been selected as the benchmark and is used for comparison purposes only.
- The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
- The Russell 1000 Value® Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.
- The CBOE Volatility Index® (VIX® Index) is a barometer of equity market volatility. The VIX Index is based on real-time prices of options on the S&P 500 Index and is designed to reflect investors' consensus view of future (30-day) expected stock market volatility.
- The U.S. Dollar Index® is a measurement of the dollar's value according to a basket of six exchange rates.

The volatility (beta) of the Fund may be greater or less than of the benchmark. An investor cannot invest directly in these indices.

Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor.

As of December 31, 2018, the 10 largest holdings in the Fund and their weights as a percent of total net assets were: Microsoft Corp., 5.12%; Alphabet Inc., 4.46%; Amazon.com Inc., 4.24%; Apple Inc., 3.99%; JPMorgan Chase & Co., 3.62%; Visa Inc., 3.56%; Cigna Corp., 2.85%; Bank of America Corp., 2.77%; Abbott Laboratories, 2.74%; InterContinental Exchange Inc., 2.65%.

Please consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus or summary prospectus that contains this and other information about the Fund is available by calling (844) 274-7868, or by visiting www.aristotlefunds.com, and should be read carefully prior to investing.

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AAP-1902-11